

(225) 342-9888

January 14, 2013

**RFP 13-3**  
**LOUISIANA PUBLIC SERVICE COMMISSION**  
**REQUEST FOR PROPOSAL ("RFP")**

***DOCKET NO. TBD- Entergy Gulf States, LLC, In re: Application for Authority to Change Rates, Approval of Formula Rate Plan and for Related Relief.***

The Louisiana Public Service Commission ("Commission" or "LPSC"), in accordance with the requirements of the LPSC's General Order dated August 4, 2004 regarding the selection of contract employees to represent the Commission, ("Contract Order") issues this Request for Proposals ("RFP") to **outside consultants** which will assist the Commission in reviewing the issues related to the Commission's review of the above-referenced Application which Staff anticipates will be filed on or about January 31, 2013. The Commission reserves the right to reject any proposal or decline to undertake this review at this time.

**I. Overview**

Entergy Gulf States, LLC ("EGSL"), has provided notice to the Commission that it anticipates filing an application for authority to change rates, in which the Company will seek approval of a formula rate plan and related relief. As provided in the notice, the Company anticipates making this filing on or about January 31, 2013. The rate case will be based on a test year period from July 1, 2011 through June 30, 2012 and will include a class cost of service study, a request for a specific ROE and requests for approval of a number of tariffs, cost recovery schedules and riders. Pro forma adjustments are anticipated as well to establish the appropriate level of rates corresponding to the ongoing transmission related activities involving the company.

In an effort to retain a consultant as soon as possible after the January 31 filing and comply with the requirements of the Commission's Contract Order which requires Staff to allow a 25-day bidding period, the Staff is issuing this RFP on the basis of the attached pre-filing letter submitted by EGSL. Once EGSL's Application is filed, notice of this Application will be published in the Commission's Official Bulletin. It is anticipated that Interventions will be filed. The application and supporting testimony will be available for viewing on the LPSC's web site at [www.lpsc.org](http://www.lpsc.org) when filed.

## **II. Scope of Representation**

Applicants will be assisting Staff by reviewing the Application, including the testimony filed by the Companies in support thereof, and testimony filed by any intervenor. The applicant will be expected to assist in the preparation of discovery and other tasks normally associated with the evaluation and pre-hearing process, prepare and defend direct testimony and any answering testimony, participate in hearings, and make recommendations to the Commission. Applicants will also be assisting Staff in preparation of any post-hearing briefs or filings, assisting in the preparation of any orders, appearing and assisting in any settlement discussions, mediations, and/or stipulation hearings and attendance and testifying at the Commission's Business and Executive Session.

All proposals shall include an outline of a plan of action for conducting the investigation, the hearings, if any, as well as any appeals, together with estimated time-lines and separate fees and costs associated with each phase of the representation. However, in the event, an applicant is chosen, Commission and its Staff shall have the right to determine how the tasks will be carried out. In addition, all proposals shall be accompanied by a professional firm resume indicating the qualifications and experience necessary to meet the requirements of this RFP.

## **III. Period of Representation**

The time period ("Period of Representation") estimated to complete the Scope of representation is approximately 10-12 months. This is merely an estimate and the Commission makes no representations as to the accuracy of the Period of Representation.

## **IV. Minimum Requirements**

To be considered, all applicants must meet the following minimum requirements in addition to those provided in this Commission's General Order dated August 4, 2004.

Consideration will be given to factors such as educational background and achievement, practical experience in the field of public utility regulation, and similar practice before other regulatory agencies or public utility commissions.

Applicant shall at a minimum be experienced in analyzing the operations, books and records of utility companies for the purpose of setting just and reasonable rates, including, but not limited to, calculation of rate base, rates of return, capital structure, formula rates and all related studies and calculations related to a rate case or rate review. Applicant shall also be familiar with incentive based rate mechanisms such as Formula Rate Plans ("FRPs"), questions of proper capital structure, affiliated transactions, and be familiar with the types of costing methodologies utilized by the LPSC.

Applicant/consultant shall be qualified and prepared to prepare and render expert testimony, and be cross-examined, with respect to all of the issues addressed in this RFP and which are likely to arise in the proceeding and be qualified and prepared to render expert testimony regarding and have knowledge of:

- (1) Appropriate regulatory accounting standards and practices for electric utilities;
- (2) Applicable LPSC and FERC regulations;
- (3) Utility transmission construction;
- (4) Cost allocation methodologies for the allocation of investment and expenses among affiliates, including the relationship of the holding company to its subsidiary operating companies, the transfer of investment and costs between operating companies, and the provision of services among affiliates, including the existing Entergy System Agreement;
- (5) Cost of capital, including capital structure, cost of debt and cost of equity;
- (6) Formula Rate Plans, including those currently applicable to LPSC-jurisdictional companies, particularly past EGSL FRPs;
- (7) Rate Design;
- (8) Transmission cost recovery mechanisms;
- (9) Knowledge of financial markets and credit ratings agency practice for electric utilities; and
- (10) The LPSC's Rules and Orders pertaining to the acquisition/construction of power supply resources, including but not limited to the Commission's General Orders dated September 20, 1983; October 29, 2008 (Both R-30517 and R-26172), and General Order dated May 18, 2007 (R-29712).

Consideration will be given to factors which indicate degrees of competence, such as educational background and achievement, amount of practical experience in the field of public utility practice, and similar practice before this or other regulatory agencies, in addition to the applicants knowledge of Louisiana ratemaking standards and regulatory law.

## **V. Estimate of Costs**

All proposals shall include fees and costs associated with consulting in the docket. All applicants responding to this RFP shall quote their rates on an hourly basis and submit a total budget, and shall separate professional fees from costs. However, applicants shall only be allowed to charge for actual hours of work performed and costs incurred. Once selected, an applicant's rates and budget shall not be altered except by formal approval of the Commission.

## **VI. Conflict of Interest**

Applicants shall prominently disclose current, as well as past employment, which could possibly result in a conflict of interest. In addition, applicants shall disclose matters in which they currently represent clients before the Commission.

## **VII. Billing Guidelines**

As required by the August 4, 2004 General Order, all bills will be rendered monthly and shall specifically identify and describe all work performed, the person performing such work, the time and charge for such work, and shall additionally show the total amount billed to date and the authorized original estimate. Bills will be rendered in strict accordance with the Commission's guidelines. Expenses shall also be separately disclosed with proof of such expenses attached.

Expenses, where applicable, shall be reimbursed at state authorized rates as specified in the Travel Policies and Procedures Memorandum issued by the State of Louisiana, Division of Administration in effect at the time such expenses are incurred ("Allowable Expenses"). Any expenses that exceed the Allowable Expenses shall be borne by the contract employee and shall not be reimbursed by either the Commission, or the correspondent utility, unless otherwise specified by the Commission.

## **VIII. Reservation of Rights**

The LPSC reserves the right to reject any and all proposals, to amend and/or supplement this RFP at any time, and to consider proposals or modifications thereof received at any time prior to LPSC vote at Open Session, if such action is found by the LPSC to be in the public interest. Pursuant to the General Order regarding the selection of contract employees, the LPSC has the right to accept other than the lowest offer with regard to price. In addition, there is also no assurance, express or implied, that an award will necessarily be made pursuant to this RFP.

## **IX. Submission of Proposals**

Interested parties should submit the **original (hard copy), 6 copies, and e-mail an electronic copy** of the proposal to:

Attention: Rene Robertson  
Louisiana Public Service Commission  
Office of the General Counsel  
602 North Fifth Street (Galvez Building) (70802)  
P.O. Box 91154  
Baton Rouge, Louisiana 70821-9154  
Phone: (225) 342-9888  
Fax: (225) 342-5610  
Email: rene.robertson@la.gov

To be considered, an original, five copies, and the electronic copy of the proposal must be received on or before **February 8, 2013**. **Selection of a consultant is anticipated to take place at the Commission's February 20, 2013 Business and Executive Session.** Information concerning billing procedures and the Commission's RFP policy may be obtained from the address listed above, or by calling (225) 342-9888.



Entergy Services, Inc.  
639 Loyola Avenue (70113)  
P.O. Box 61000  
New Orleans, LA 70161-1000  
Tel 504 576 4170  
Fax 504 576 5579

Karen H. Freese  
Associate General Counsel  
Legal Services - Regulatory

January 10, 2013

**By Facsimile and U.S. Mail**

Ms. Eve Kahao Gonzalez  
Executive Secretary  
Louisiana Public Service Commission  
P.O. Box 91154  
Baton Rouge, Louisiana 70821-9154

Dear Ms. Gonzalez:

Entergy Louisiana, LLC ("ELL") and Entergy Gulf States Louisiana, L.L.C. ("EGSL") (individually, the "Company" and jointly, the "Companies") respectfully submit this letter in order to provide the Louisiana Public Service Commission ("Commission") notice that the Companies each intend to file with the Commission an *Application for Authority to Change Rates, Approval of Formula Rate Plan and for Related Relief* and will publish the required legal notices to commence a rate case. The Companies expect to make these filings on or about January 31, 2013, but the actual filing date may be subject to change and will depend upon the time required by the Companies to prepare thorough and complete filings.

**Rate Case Overview.** The Companies are intending to make these filings in the wake of the expiration of each Company's Formula Rate Plan, which had been in effect in prior years. Each rate case will be based on the test year period of July 1, 2011 through June 30, 2012 and will include a class cost of service study, a request for a specific return on equity, and requests for approval of a number of tariffs, cost recovery schedules and riders. Each case will also include, among other items, *pro forma* adjustments to reflect capital additions to rate base and other known and measurable changes through December 31, 2013.

In addition, each case will include *pro forma* adjustments necessary to establish the appropriate level of rates corresponding to alternative transmission-related ratemaking proposals, as follows: (i) as its primary case, both the consummation of the Companies' pending transaction with ITC Holdings Corp. (the "ITC Transaction") and the transfer of functional control of the Company's transmission assets to the Midwest Independent Transmission System Operator, Inc. ("MISO") Regional Transmission Organization ("RTO") and, in the alternative, (ii) the transfer of functional control of the Company's transmission assets to MISO without the consummation of the ITC Transaction (in the event that the Commission has not approved the ITC Transaction before it sets rates in the Companies' rate case proceedings). Each Company also will include, as part of its filing, a new proposed Formula Rate Plan as well as a transmission cost recovery rider.

As directed by the Commission, both cases will include a fully allocated class cost of service study, and the rate case revenue requirements and proposed tariffs will reflect the results of these studies. Due to changes that have occurred since the completion of the Companies' last class cost of service studies, the Companies expect that there will be significant changes in the allocation of costs among customer classes (residential, commercial, industrial, governmental and street lighting). Given this, as well as customer class cost allocation challenges that have arisen in certain of the Companies' recent cases, the Companies believe that the appropriate allocation of costs among customer classes will be a key issue in both cases.

**Expected Witnesses and Testimony Topics.** Below is a list of the major topics on which each Company expects to provide testimony. The Companies are still working to identify individual witnesses, so this information is being presented by topic. In general, however, the Companies expect that there will be between 15 and 20 witnesses in each case.

- Introduction/Policy. Testimony will be offered in each case describing the Company's rate request, introducing the other witness and explaining the overall need for rate relief.
- Formula Rate Plan. Testimony will be offered in both cases that will support each Company's proposed Formula Rate Plan and explain its various rate mechanisms.
- Return on Equity. Each Company will file testimony from one or more witnesses supporting the requested return on equity and addressing (1) the requested return on equity as it relates to the Companies' ability to finance its future capital expenditures on reasonable terms and in a variety of industry and capital market conditions; (2) the results of quantitative analysis and other economic factors, including discounted cash flow and risk premium models; (3) investors' perspective of risk as it relates to investment commitments currently being undertaken by electric utilities and current macroeconomic conditions; and (4) investors' expectations for a constructive regulatory environment and an appropriate return on equity for the Company.
- Regulatory Accounting. Testimony will be offered in each case from a regulatory accounting witness regarding each Company's revenue requirements, including its test year end plant balances, test year costs, and various *pro forma* adjustments to those amounts.
- Regulatory Policy. Testimony will be offered in each case regarding the regulatory policy underlying each Company's *pro forma* adjustments to reflect the two alternative transmission-related ratemaking proposals described in the *Rate Case Overview* paragraph above.

- Depreciation. Testimony will be offered in each case from one or more witnesses regarding the appropriate depreciation rate for the Companies' assets.
- New Nuclear Project Costs. As directed by the Commission, testimony will be offered by one or more witnesses in each case supporting each Company's request for recovery of its costs expended to develop new nuclear generation by explaining the nature of the costs themselves as well as regulatory policy underlying the request and why the request is reasonable.
- System Planning Operations and Energy Delivery. Testimony will be offered from functional witnesses for each Company supporting how certain costs will be affected by the proposed transmission-related ratemaking alternatives described in the *Rate Case Overview* paragraph above.
- Lead Lag Study. Testimony will be provided describing the results of lead lag studies in support of each Company's cash working capital requirements.
- Revenue Requirements. Testimony will be offered in each case regarding the Company's revenue requirements, including the methodology employed in preparing the cost of service study, support of certain *pro forma* adjustments, and the jurisdictional and class results of the cost of service study for the test year ending June 30, 2012 under both of the Company's transmission-related ratemaking scenarios described in the *Rate Case Overview* paragraph above.
- Rate Design. Testimony will be offered in each case describing the development of the jurisdictional allocation factors, the present test year sales revenue, and the development of the proposed rate design (including discontinued, modified, and new rate schedules).
- Transmission Cost Recovery Mechanisms. Testimony will be offered in each case supporting and describing the Company's proposals for recovery of its transmission-related revenue requirement in connection with the two alternative transmission-related scenarios described in the *Rate Case Overview* paragraph above.
- Separation of Transmission Assets. Testimony will be submitted in both proceedings supporting the Companies' *pro forma* adjustment regarding the ITC Transaction by explaining how the Companies' transmission assets subject to transfer were identified by the Companies.



January 10, 2013  
Eve Kahao Gonzalez  
Page 4

**Request for Relief.** Prompt Commission action on these filings will enable the Companies to more efficiently prosecute, and the Commission to more efficiently consider and rule on, the two rate requests. As a result, the Companies are providing this initial notice so the Commission and its Staff may consider whether soliciting outside consultants at this time may help facilitate review of the filing.

Thank you for your consideration of this notice. Please let me know if you have questions or require further information regarding this matter.

Sincerely,

  
Karen H. Freese

cc: Melissa Watson (*via* Electronic Mail)  
Kimberly Fontan (*via* Electronic Mail)